

**MA ECONOMICS  
SECOND SEMESTER  
MICRO ECONOMIC ANALYSIS-II  
MEC-201**

Duration : 3 hrs.

Full Marks: 70

Time : 20 min.

( PART-A: Objective )

Marks : 20

*Choose the correct answer from the following:*

*1X20=20*

1. Find the incorrect one
  - a. Perfect competition,  $AR=MR$
  - b. Oligopoly,  $AR>MR$
  - c. Monopoly,  $MR>AR$
  - d. Duopoly,  $AR>MR$
2. Which one is not correct
  - a. Monopoly: two firms
  - b. Monopolistic completion: countable number of firms
  - c. Oligopoly: three or more firms
  - d. Perfect completion: infinite number of firms
3. Find the mismatched one
  - a.  $MC=MR$
  - b.  $MC=LAC=LMC=AR=MR$
  - c.  $SAC=LMC$
  - d.  $SAC=SMC$
4. Expected value is defined as
  - a. The most likely outcome of a given experiment
  - b. The profit on a fair bet
  - c. The outcome that will occur on average for a given experiment
  - d. The relative frequency with which an event will occur
5. The technique that allows companies to determine the price which helps in yielding targeted return on investment is known as
  - a. Mark up pricing
  - b. Target return pricing
  - c. Cost plus pricing
  - d. Product line pricing
6. Selling cost is the feature of
  - a. Oligopoly
  - b. Perfect completion
  - c. Monopolistic competition
  - d. Duopoly
7. In the kinked Demand Curve theory it is assumed that?
  - a. An increase in price by the firm is not followed by others
  - b. An increase in price by the firm is followed by others

- c. A decrease in price by the firm is not followed by others
- d. Firms collude to fix the price
8. The kinked demand curve states that the demand curve has a kink at .....
- a. Above the prevailing price
- b. Price equals to zero
- c. Below the prevailing price
- d. Prevailing price
9. Peak load pricing is
- a. Charging a high price during demand peaks, and a lower price during off-peak time periods
- b. Demand always at the peak and a price charged is always at the peak
- c. Charging a high price always irrespective to demand condition
- d. Charging a low price during demand peaks, and a higher price during off-peak time periods
10. In price skimming, the firm
- a. Charges the lowest initial and then raise it over time
- b. Charges the highest initial price and maintain that
- c. Charges the lowest initial price and maintain that
- d. Charges the highest initial price that customers will pay and then lowers it over time
11. Risk pooling is related to
- a. Gambling
- b. Insurance
- c. Pollution
- d. Taxation
12. Product differentiation is the feature of the market
- a. Monopoly
- b. Monopolistic
- c. Oligopoly
- d. Duopoly
13. Fair gambling means when
- a.  $E(P)=1$
- b.  $E(P)>1$
- c.  $E(P)>0$
- d.  $E(P)=0$
14. Price cut competition means
- a. Trying to increase the sale of the firm by lowering the price of the other firms
- b. Trying to increase the sale of the firm by increasing its price
- c. Trying to increase the sale of the firm by lowering its price
- d. Trying to increase the sale of the firm by increasing the price of the other firms
15. Premium is paid to
- a. Avoid the risk
- b. Love the risk

- c. Cover the risk  
d. Be neutral about risk
16. In Cournot duopoly model each firm individually shares .... of the market demand
- a.  $2/3$   
b.  $1/3$   
c.  $3/4$   
d.  $1/4$
17. Even earning losses, firm can continue its production if
- a.  $P \leq AVC$   
b.  $P < SAC$   
c.  $P \geq AVC$   
d.  $P = SMC$
18. For a monopoly firm, at equilibrium
- a.  $AC = AR$   
b.  $AR = MR$   
c.  $AR < MR$   
d.  $MR = MC$
19. Which one is correct
- a. No excess capacity in perfect competition  
b. Excess capacity is only in perfect competition  
c. No excess capacity in monopolistic competition  
d. No excess capacity is in imperfect competition
20. Under perfect competition, at long run equilibrium
- a.  $LAC = LMC > AR > MR$  but  $SMC = LMC$   
b.  $AR > MR > LMC > LAC$  but  $SMC > LMC$   
c.  $AR = MR = LMC = SMC = LAC = SAC$   
d.  $AR < MR < LMC < SMC < LAC < SAC$

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**( PART-B : Descriptive )**

Time: 2 HRS 40 MINS

Marks : 50

[ Answer question no.(1) & any four (4) from the rest ]

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| 1. Explain the whole concept and idea of individual/consumer behavior towards risk.  | 10       |
| 2. What is perfect competition? What is monopolistic competition? Distinguish between equilibrium under perfect completion and monopolistic competition. | 2+2+6=10 |
| 3. Critically explain the Baumol's sales maximization model without advertisement cost.  | 10       |
| 4. What is a duopoly? Explain the Cournot's duopoly model.   | 1+9=10   |
| 5. Explain the various degrees of price discrimination with suitable diagrams.   | 10       |
| 6. What is a shut down point? Explain the concept with suitable diagram for perfect competition.   | 2+8=10   |
| 7. What is Kinked Demand Curve? Why it has two different types of elasticity for the two parts of the curve.   | 2+8=10   |
| 8. Why monopoly needs to be regulated? Explain how taxation can be an effective measure to regulate monopoly.  | 2+8=10   |

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